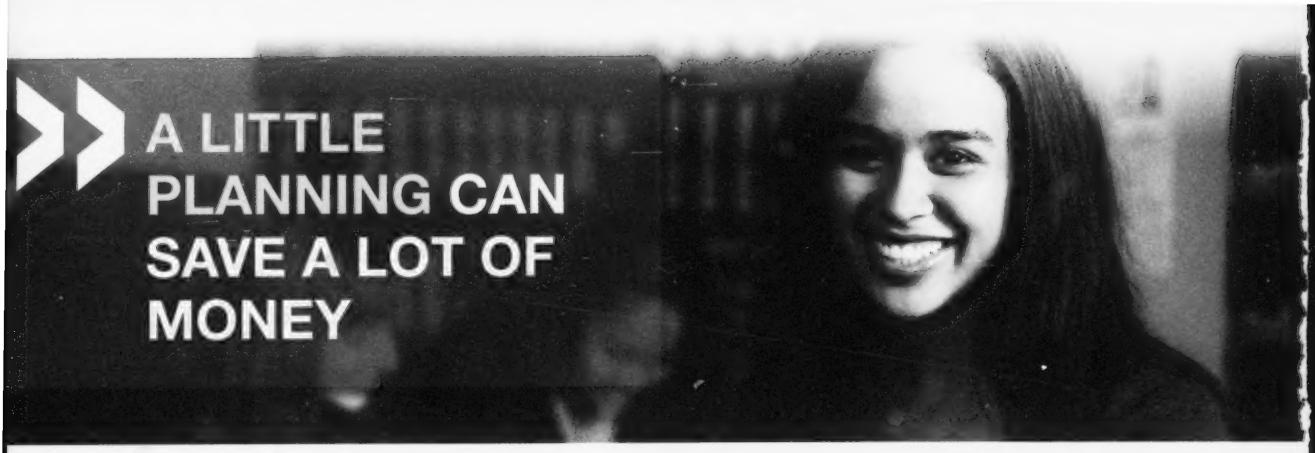
STUDENTS FINANCE

STUDENT LOAN REPAYMENT HANDBOOK 10/11

Canada

Government of Alberta

A LITTLE PLANNING CAN SAVE A LOT OF MONEY



Leaving school can be a lot like starting school – it's a new chapter in your life. This chapter will present new opportunities and challenges that can be exciting and stressful at the same time. Paying back your student loan does not have to be a challenge as long as you have a good repayment plan.

I've Completed My Education. Do I Still Need A Spending Plan?

You've earned an education and now is the perfect time to draw up a new monthly spending plan. If you find work quickly, chances are you will be making more money than you did as a student and you will be able to make regular monthly payments on your student loans. The sooner you start planning for repayment, the more informed you will be about your options.

What do you expect your monthly income will be? First, do some research by talking to recent graduates, checking with a professional association or union in your field, searching the Internet for salary surveys (such as the Occupational Profiles website at alis.alberta.ca/occinfo), or checking the newspapers for similar advertised jobs. This will give you a good idea of average salaries for graduates in your field.

Next, try to figure out your post-student living expenses. Where will you live? What new expenses will you have due to starting a new job? Will you have special expenses for clothing, equipment or tools? The casual clothes you lived in as a student may not cut it anymore. Factor in expenses like student loan payments, new clothes, transportation, and parking costs as well as the standards like rent, food and utilities.

Where Does Your Loan Fit?

It's time to figure out how your student loan payments fit into your monthly spending plan. Your payment amount will depend on:

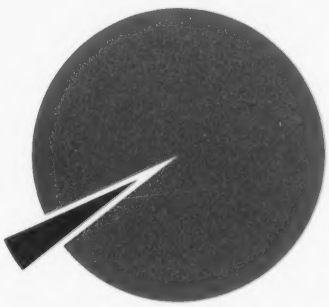
- the size of your loan, and
- the length of your repayment term, and
- the interest rate on your loan

DIANE

Diane, Graphic Design Diploma, $10,000 in loans

Diane just completed her program and is opening a small graphic design firm. She knows there are a lot of costs involved in the first year of a new business, so she wants to minimize her student loan payments. She customized her loan repayment plan so that her payments are around $70 a month (assuming a 3% interest rate) and a 10 year repayment term.

"When the business starts rolling in, I'll revise my plan and pay the loan back faster. But for now, I need all my money for start-up costs."



Monthly income: variable $1,000 - $3,500
Student loan payments: $70
Percentage of income: variable 2% - 7%

PAYMENT FREE FOR SIX MONTHS

When you graduate or leave full-time studies, you have six months before you have to start making student loan payments. However, interest will start to accumulate on the outstanding balance of your Canada and Alberta student loan(s) the first day of the month after you complete or leave your studies. You can either pay this accumulated interest every month before you start repayment or have it added to the balance of your loan.

These six months give you some breathing room to get on your feet before you start making loan payments. Keep in mind that you must begin repaying your student loans, principal plus interest, in the seventh month following the end of your studies.

Many people move in the six months after leaving school. Make sure EDULINX, the National Student Loans Service Centre, Alberta Students Finance, and/or your lending institutions have your current address. They'll be sending you important information and not receiving it (and not answering it) will start you off on the wrong foot.

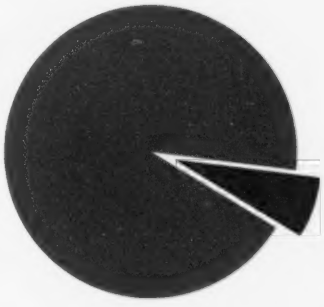
Spare change? If you can put any money towards your student loans in the six month grace period before repayment begins, do it! Your payments will reduce the accumulated interest.

Changes to your bank account?
Ensure your bank account information is up to date at EDULINX and the National Student Loans Service Centre. If your bank account information has changed let them know by completing a pre-authorized payment form (available to print on alis.alberta.ca/forms and canlearn.ca)

Asim, Petroleum Engineering Degree, $12,000 in loans

Asim just finished a degree in petroleum engineering. He found a job at a drilling site north of Edmonton making $90,000 a year. He has decided to pay back his loan as quickly as he can. By making payments of $516 per month (assuming a 3% interest rate), he'll have paid off his loan in two years.

"I want to pay off my student loan as fast as I can because my next goal is to start saving up to buy a house."



Monthly income: $7,500
Student loan payments: $516
Percentage of income: variable 6.8%

ASIM

MAKING YOUR PAYMENTS!

Once your six month grace period ends, you will enter repayment. If you have Alberta and Canada student loans, you will have multiple loans and you must make separate payments.

Alberta Student Loan

All Alberta student loans are financed by the Government of Alberta and processed through EDULINX, Alberta's student loan service provider. Your loan payments will be made to EDULINX. If you have an Alberta student loan that was issued before August 1, 2001, contact your lending institution for more information.

You will be sent a standard repayment letter. This repayment letter will automatically set a repayment term and interest rate.

Canada Student Loan

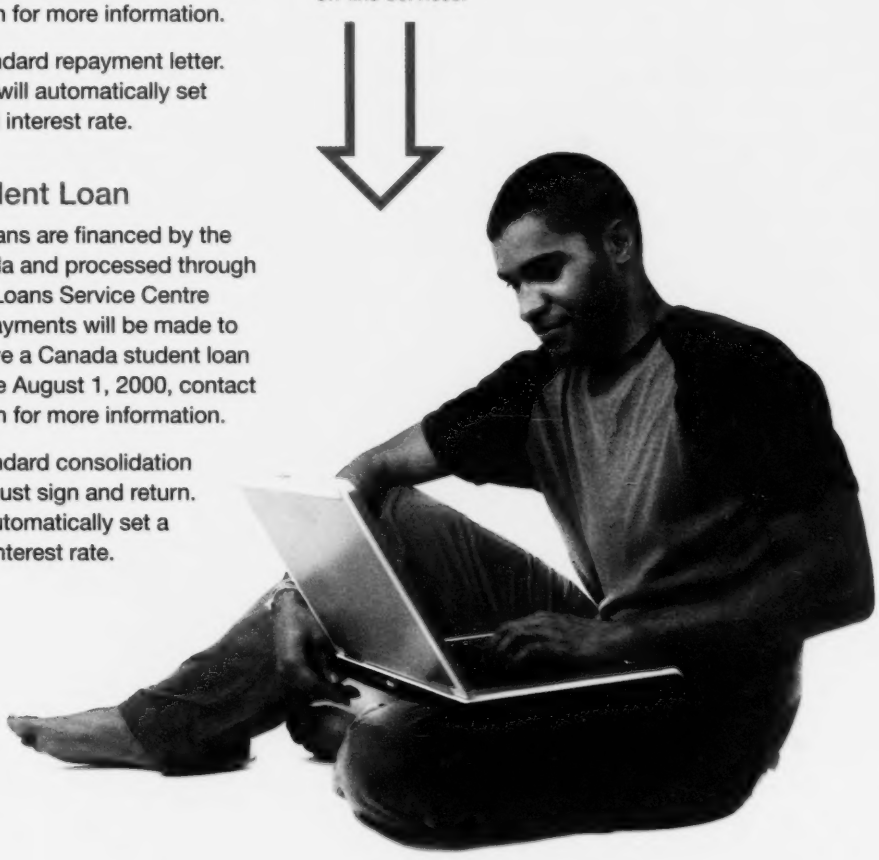
All Canada student loans are financed by the Government of Canada and processed through the National Student Loans Service Centre (NSLSC). Your loan payments will be made to the NSLSC. If you have a Canada student loan that was issued before August 1, 2000, contact your lending institution for more information.

You will be sent a standard consolidation agreement that you must sign and return. This agreement will automatically set a repayment term and interest rate.

Get information. Be informed.
Visit the EDULINX website at **edulinx.ca**, register and complete the **Exit Counselling session**. This session explains everything you need to know about repaying your Alberta student loans and repayment assistance available to help you.

While on the website, check out the EDULINX On-line Services so that you can manage your loan online, view details of your Alberta loan and statement history, make a payment and update your address.

If you have Canada student loans, visit **canlearn.ca** and check out the National Student Loans Service Centre: On-line Services.



ALBERTA STUDENT LOAN RELIEF

Alberta student loan relief is designed to keep the debt level of Alberta students manageable. The Alberta Government may reduce a portion of your Alberta student loan if you qualify. This reduction is not offered for student funding you received from the Canada Student Loan Program.

To be eligible, you must:

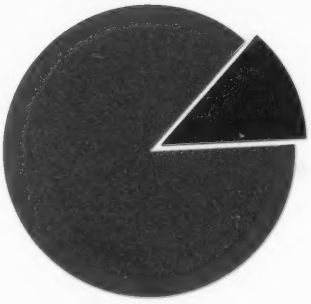
- have completed (graduated or left) full-time studies, and
- have an Alberta student loan, and
- have exceeded the minimum debt level for your program. This level varies by program each year and is set by the Alberta government.

If you are eligible, your Alberta student loan will be reduced automatically, normally within six months of the date you complete your studies. If you did not indicate on your funding application that you were in your final year of studies and you don't want to wait six months, complete the application available at alis.alberta.ca/forms.

Sasha, Education Degree, $17,500 in loans

Sasha just finished an education degree and was hired as a substitute teacher with the local Board of Education. She is also working part-time as a waiter to help make ends meet. Six months after graduation, Sasha wasn't making enough money to start making payments on her student loans, so she applied for repayment assistance (RAP). If Sasha is eligible for RAP, she may be required to make an affordable payment for six months or, if her income is too low, she may not have to make a payment at all for six months.

"I'll probably be hired as a teacher full-time next fall; then I can return to my regular payment plan for my student loans."



Monthly income: $1,300
Student loan payments suspended: $169
Percentage of income: 13%

SASHA

YOUR REPAYMENT TERMS

There are choices available to you that will have a big impact on your repayment terms. Your first decision is how long you want to take to repay your loan. The shorter the term, the bigger your monthly payments but the longer the term, the more interest you'll eventually pay.

You may have been accumulating loans for a number of years, and it can be hard to translate the grand total into a monthly payment. It may also be hard for you to know how much income you should have in order to repay your loan. The charts below give you a general idea. Choose the one that best fits your personal circumstances.

Show Me The Numbers

Based on an interest rate of 3% and a 10 year repayment period, here is an example of what your loan payment might be depending on the balance of your student loan.

Student Loan Amount	Monthly Student Loan Payment Amount	Total Interest Paid Over 10 Years	Total Amount Paid
$10,000	$97	$1,587	$11,587
$15,000	$145	$2,381	$17,381
$20,000	$193	$3,174	$23,174
$25,000	$241	$3,968	$28,968
$30,000	$290	$4,762	$34,762
$50,000	$483	$7,936	$57,936

Based on an interest rate of 3% and 5 and 10 year repayment periods, the tables below illustrate an approximate minimum annual gross income needed to repay a loan based on 15% of gross income used to repay student loans.

To Repay A Loan Over a 5 year Period

Loan Value	Monthly Payment	Total Payments	Approximate Minimum Annual Gross Income Needed to Repay
$10,000	$180	$10,781	$14,375
$15,000	$270	$16,172	$21,562
$20,000	$359	$21,562	$28,750
$25,000	$449	$26,953	$35,938

To Repay A Loan Over a 10 year Period

Loan Value	Monthly Payment	Total Payments	Approximate Minimum Annual Gross Income Needed to Repay
$10,000	$97	$11,587	$7,725
$15,000	$145	$17,380	$11,587
$20,000	$193	$23,174	$15,450
$25,000	$241	$28,968	$19,312

Links to your loan service providers:
You can make changes to your student loan repayment terms. Contact:

Alberta Student Loans
EDULINX
- Visit edulinx.ca for EDULINX On-line Services
- Call toll-free at 1-866-827-0310 Monday to Friday, 7:30 am to 8:30 pm, your local time

Canada Student Loans
National Student Loans Service Centre
- Visit canlearn.ca for National Student Loans Service Centre: On-line Services
- Call toll-free at 1-888-815-4514 (within North America)

» Interest Rates

There are two types of student loan interest rates – fixed and floating. Both are based on the prime rate. The prime rate is calculated monthly and is a reference point based on the variable rate of interest declared by the Canadian Imperial Bank of Commerce (CIBC). CIBC bases this rate on Canadian dollar consumer demand loans.

If you have a floating rate, your interest rate will change along with the prime rate. The floating rate for your Alberta student loan is prime. The floating rate for your Canada student loan is prime plus 2.5%. If you don't specify otherwise, you will be given the floating rate for your repayment period.

If you choose a fixed rate, your interest rate will be the same throughout your whole repayment period. The fixed rate for your Alberta student loan is prime plus 2%. The fixed rate for your Canada student loan is prime plus 5%. You can request the fixed interest rate on a one-time basis only.

» Flexibility

One of the good things about student loans is that repayment is flexible. You can revise the terms of your repayment agreement (payment amount, payment term and payment date) if your circumstances change, and you can always make lump sum payments on your loan. You can make these changes for your Alberta student loans at EDULINX On-line Services at edulinx.ca, and for your Canada student loans at canlearn.ca.

Danielle and Gordon

Danielle and Gordon just graduated in the same class with degrees in nursing. They've both found jobs with similar salaries – just over $60,000. Each of them has approximately $16,000 in student loans, but they're managing their loan repayments in totally different ways.

Danielle is planning to pay off the entire loan in four years, which means monthly payments of $354. To fit these payments in her budget, she'll be sharing a small apartment with a roommate and waiting before making any big purchases, like a new car.

"Since I only have myself to worry about right now, I want to take the opportunity to get my loan paid off as quickly as possible. By doing it in four years, I'll pay way less in interest. Besides, I have the rest of my life to buy the other stuff I eventually want."

Gordon is in a different situation. He is married and has a two-year-old child. He and his spouse just bought a house. In addition to managing his student loan, he'll also be making mortgage payments. Gordon has chosen to spread his student loan repayment over eight years – his payments will be about $188 a month.

"I know I'll pay more interest, but it's worth it to me. My family made a lot of sacrifices while I was in school."

WHAT IF YOU CAN'T PAY IT BACK?

When you're starting out, the path isn't always smooth.

Not everybody finds their dream job six months after they leave school. And people lose their jobs. When you're starting out, the path isn't always smooth. If you don't think you'll be able to make your loan payments, don't panic. There is repayment assistance available to help you get through the rough spots. The key is keeping in touch with EDULINX, the National Student Loans Service Centre and/or your lending institutions, so they understand your situation.

Repayment Assistance Plan (RAP)

What is RAP?

The Repayment Assistance Plan is offered for both Canada and Alberta student loans. The plan provides you with short-term assistance if you have temporary financial challenges and long-term support if you have persistent financial challenges. Under RAP:

- you may be expected to make a monthly affordable payment that is based on your income and family size
- you may not have to make any monthly payments if your income is low
- your repayment period will not last for more than 15 years after you stop being a student (and not more than 10 years if you are a borrower with a permanent disability)

What are the eligibility requirements for RAP?

To be eligible for RAP:

- your loan must be in repayment status
- you must meet the financial eligibility requirements for RAP (you can see if you meet the requirements by going to canlearn.ca and searching for the Repayment Assistance Estimator under the Online Tools link)
- your loan must be in good standing with EDULINX, the NSLSC and/or your lending institution

> *TIP: If you have missed payments, you can bring your loan into good standing by applying for RAP because RAP can be backdated up to six (6) months and/or interest can be capitalized up to three (3) months.*

- your loan must not have been included in a bankruptcy
- you must not have missed previous RAP payments

How do I apply for RAP?

You can apply for RAP at any time during your repayment term. If you are approved for RAP on your Canada student loans, you are automatically approved for RAP on your Alberta student loans. Here's how it works:

- If you have both Alberta and Canada student loans, you will submit only one application to the National Student Loans Centre (NSLSC). The NSLSC processes the application for RAP on your Canada student loans and then forwards the application to EDULINX who processes the application for RAP on your Alberta student loans
- If you have only Alberta student loans, you will submit your application only to EDULINX
- RAP is approved for a six month period. If you want to continue to receive RAP, you must submit a new application every six months

RAP information for borrowers with a permanent disability

If you have a permanent disability, you will be considered for RAP-PD (Repayment Assistance Plan for Borrowers with a Permanent Disability). Under RAP-PD:

- You must meet the basic RAP eligibility requirements
- If you received disability grants as a student, you are automatically considered for RAP-PD
- If you did not receive disability grants as a student, you will have to provide proof of your permanent disability by providing appropriate documentation from your medical practitioner and proof of income
- Your additional living costs due to your permanent disability may be considered in your application

Revision of Terms

If you're having trouble making your Alberta and/or Canada student loan payments, you can revise the terms of your loan so that you can make smaller monthly payments over a longer period of time.

Of course, you can also do the reverse and make higher monthly payments to reduce the period of time it takes to pay off your loan.

If you decide to change your payment amount, payment term, or payment date of your Alberta student loan, go online to edulinx.ca or talk to EDULINX. If you decide to change the repayment terms of your Canada student loan, go online to canlearn.ca or call the National Student Loans Service Centre. If your loans are with a lending institution, contact them directly.

Tax Tips

Good news for student loan holders is that you get a 17% tax credit on the interest payments on your student loan. That means you get back a big chunk of the interest you are paying. If you finished school this year, don't forget that you still get a tuition tax credit too. Tax rules change all the time. Contact the Canada Revenue Agency at 1-800-959-8281, or visit cra-arc.gc.ca.

Avoid Missing Payments

Making regular payments each month will help you establish and maintain a good credit rating. There are consequences if you miss payments (default) on your loan:

- your credit rating will be negatively affected;
- your loan will be sent to a collection agency;
- any GST or income tax refund that you will be eligible to receive will be redirected to repay your defaulted loan;
- the provincial and/or federal governments may take legal action against you.

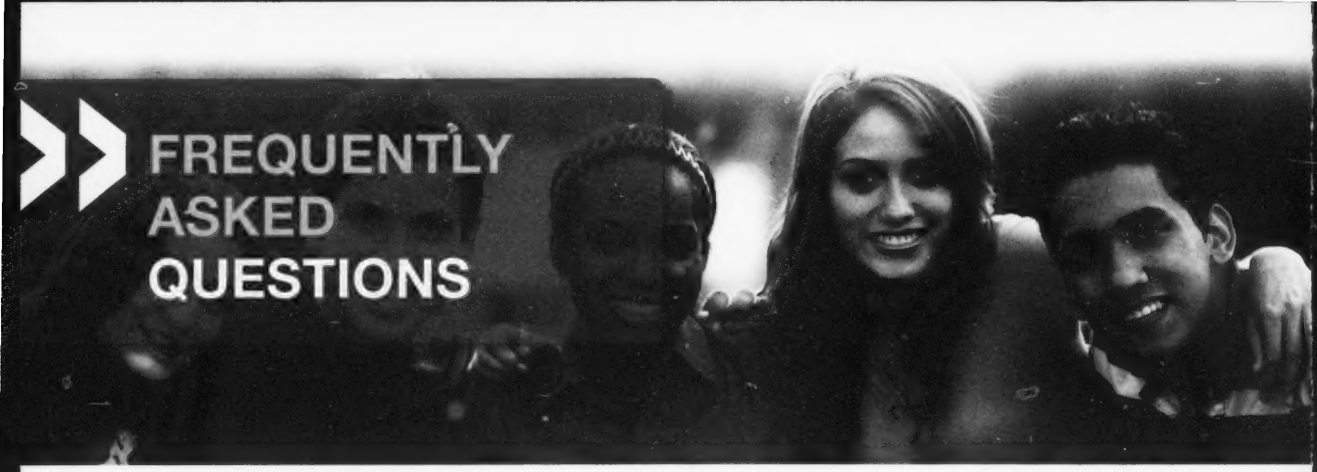
ON-LINE SERVICES

EDULINX website service for students

EDULINX has a secure, self-serve website that allows you to manage your Alberta student loans online. This website at edulinx.ca allows you to:

- update your personal and contact information
- review your current account statements, including your loan balance
- customize payments that work for you (change your payment amount, payment term and payment date)
- benefit from an enhanced personal messaging centre that reminds you about key dates during the span of your student loans
- complete the Exit Counselling session
- print off and mail in a Pre-Authorized Payment Form
- complete a one-time lump sum payment if you are participating in the pre-authorized payment plan
- obtain other details about your Alberta student loans

If you have any questions regarding this website, contact the EDULINX On-Line Services Help Line at 1-866-852-5629 or visit edulinx.ca.



FREQUENTLY ASKED QUESTIONS

What is EDULINX?

EDULINX is the Government of Alberta's student loan service provider. All of your correspondence for Alberta student loans will come from EDULINX.

What is the National Student Loans Service Centre?

The National Student Loans Service Centre is the Government of Canada's student loan service provider. All of your correspondence for Canada student loans will come from the National Student Loans Service Centre.

What is a "lending institution"?

The "lending institution" is the financial institution where you negotiated your Student Loan Agreement. This applies to any Canada student loans you received before August 1, 2000 and any Alberta student loans you received before August 1, 2001.

What does "prime rate" mean?

The prime rate is calculated monthly and is a reference point based on the variable rate of interest declared by the Canadian Imperial Bank of Commerce (CIBC). CIBC bases this rate on Canadian dollar consumer demand loans.

What does "repayment term" mean?

The repayment term is the projected period of time (in months) required to fully repay a loan based on monthly payments being paid on time.

When do I have to start repaying my loan?

You must begin repayment six months after you graduate from or leave full-time studies.

Do I have to repay all of the money?

Yes, your student loans must be repaid in full.

What is a loan default?

A default occurs when you do not make the required monthly payments on your loan(s). To avoid defaulting on your payments, talk to EDULINX, the National Student Loans Service Centre and/or your lending institutions. There are repayment assistance options available to help you keep your loans in good standing.

What happens to my loan if I default on my payments?

Your loan will be sent to a collection agency. You must then contact the collection agency directly to make arrangements to set up a repayment plan.

What are the consequences of defaulting on my loan?

Defaulting on your student loan will seriously affect your credit rating. You will:

- incur additional interest charges
- lose eligibility for future student funding
- have to deal with a collection agency
- establish a bad credit rating
- lose future income tax and GST refunds
- possibly face legal action
- lose eligibility for repayment assistance

What if I am unable to make payments?

Contact EDULINX, the National Student Loans Service Centre, and/or your lending institutions, to discuss repayment assistance options.

What is the Repayment Assistance Plan?

The Repayment Assistance Plan helps student loan borrowers who are having difficulty paying back their Canada and/or Alberta student loans.

What happens to my student loans if I declare bankruptcy?

If you declare bankruptcy, you are still expected to repay your student loans. You must continue to make monthly payments until the debt is repaid. However, you may request a court-ordered discharge once seven years have passed since you left school.

Do I have to be an honour student to qualify for Alberta Student Loan Relief?

No, it is based on your total outstanding student loan debt. It is not a reward for good grades and you do not need to provide a transcript of your marks.

I've graduated and my Alberta student loan was reduced. If I return to school later, do I have to repay this amount?

You will NOT have to repay the amount that was reduced.

WE'RE HERE TO HELP

Chances are you aren't the first person having trouble and you won't be the last.

Paying back a student loan is very straight forward. It's in your best interest to pay back your loan successfully. That's why there is repayment assistance to help you. If you're having trouble, call EDULINX, the National Student Loans Service Centre and/or your lending institutions – they can help.

Where Can You Get Help?

EDULINX

- Toll-free within North America: 1-866-827-0310, Monday to Friday, 7:30 a.m. to 8:30 p.m. your local time
- Toll-free outside North America: 800-2-529-9242 plus appropriate country code
- TTY: 866-587-1853
- or at edulinx.ca

National Student Loans Service Centre

- Toll-free within North America: 1-888-815-4514
- Toll-free outside North America: dial international access code + 800 2 225-2501
- Countries outside of North America without an international access code: call the Canadian operator at 800 0800 096 0634, then call collect 905-306-2950
- TTY: 1-888-815-4556
- or at canlearn.ca

Alberta Students Finance

- Visit our website at alis.alberta.ca/studentsfinance

Need more information about student funding?

Check out these resources on alis.alberta.ca/forms.

OWNER'S MANUAL

A Guide To Financing Your Education
Everything you need to know about student funding.

JUST THE FACTS

A Short Guide to Student Funding
A short booklet with key information about student funding.

WHAT'S NEXT

Planning and Financing Your Post-Secondary Education
A guide for high school students and anyone considering post-secondary education.

QUICK TIPS

A Companion to Your Student Funding Application
Explanations for questions on the student funding application.

Human Resources and Social Development Canada
Alberta Advanced Education and Technology
Alberta Employment and Immigration

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